

## Message Text

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FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC PRIORITY 8910

INFO AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L PORT AU PRINCE 2323

E.O. 11652: GDS

TAGS: EAID, HA

SUBJ: REQUEST FOR PL-480 TITLE I PROGRAM IN HAITI

REFS: (A) PAUP 2099; (B) PAUP 2058; (C) PAUP 1493; AND

(D) PAUP 0876

1. SUMMARY. IN VIEW OF THE INCREASINGLY ACUTE ECONOMIC SITUATION IN HAITI AND THE IMPORTANT ROLE WHICH A PL-480 TITLE I PROGRAM CAN PLAY IN ACHIEVING OUR ESTABLISHED POLICY GOAL OF PROMOTING HAITI'S ECONOMIC AND SOCIAL DEVELOPMENT, I URGE THAT THE USG PROCEED PROMPTLY TO THE NEGOTIATION OF AN AGREEMENT. DETAILED JUSTIFICATION FOR SUCH A PROGRAM WAS OUTLINED IN REFERENCES (B) THROUGH (D), BUT I AM SUBMITTING BELOW ADDITIONAL SUPPORTING FACTORS ARISING FROM COUNTRY TEAM'S MOST RECENT REVIEW OF THE SITUATION. FROM THIS REVIEW I HAVE CONCLUDED THAT A PROGRAM FOR THE SECOND HALF OF FY 75 CONSISTING OF 750,000 BUSHELS OF WHEAT (PART TO BE PROVIDED IN FLOUR EQUIVALENT) AND 2,000 METRIC TONS OF SOYBEAN OIL WOULD SUBSTANTIALLY SERVE US POLICY OBJECTIVES. BY TIMELY PROVISION OF A CRITICAL COMPONENT OF FOREIGN EXCHANGE RESOURCES NEEDED TO PREVENT A NEAR-DISASTROUS SHORT-TERM OUTCOME IN HAITI'S BALANCE  
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OF PAYMENTS, A TITLE I PROGRAM WOULD SUPPORT THE EFFORTS OF THE

GOH TO IMPROVE AGRICULTURAL PRODUCTION, TO INCREASE FOREIGN EXCHANGE EARNINGS AND TO DEVOTE EVER-INCREASING AMOUNTS OF ITS OWN RESOURCES TO DEVELOPMENT, THUS MEETING POLICY GOALS OF BOTH GOVERNMENTS. END SUMMARY

2. PROGRAM COULD BE CRITICAL FOR US INTERESTS--AS HAS BEEN SET FORTH BOTH IN THE CASP AND REF (D), THE US HAS A SIGNIFICANT STAKE IN HAITI'S CONTINUED PROGRESS IN BOTH ECONOMIC AND SOCIAL DEVELOPMENT. HAITI'S LOCATION NEAR OUR SHORES GIVES IT A CERTAIN STRATEGIC SIGNIFICANCE, AND STABILITY AND PROGRESS IN HAITI WILL SERVE BASIC US INTERESTS IN THE REGION. OUR ECONOMIC INTEREST IN HAITI BASED ON INVESTMENT AND TRADE COULD BECOME ENHANCED BY CURRENT INDICATIONS OF MINERAL RESOURCES PREVIOUSLY UNKNOWN. TO THESE MUST BE ADDED OUR SPECIAL COMMITMENTS TO PROVIDE INCREASED ATTENTION AND RESOURCES TO LATIN AMERICA AND TO THE LEAST DEVELOPED COUNTRIES OF THE WORLD. HAITI IS, BY A SUBSTANTIAL MARGIN, THE LEAST DEVELOPED OF THIS HEMISPHERE.

3. IN MY VIEW OUR INTERESTS IN HAITI ARE BEING WELL SERVED BECAUSE OF THE STEADY AND SIGNIFICANT PROGRESS THE GOH HAS MADE IN THE PAST THREE YEARS IN RE-OPENING TIES WITH THE REST OF THE WORLD, IN REDUCING DOMESTIC REPRESSION AND ENCOURAGING ADMINISTRATIVE IMPROVEMENTS, AND IN DEALING RESPONSIBLY WITH A HOST OF INTRACTABLE PROBLEMS. FOR THE FIRST TIME IN MANY YEARS, ECONOMIC DEVELOPMENT HAS BECOME MORE THAN AN EMPTY SLOGAN AND THE GOVERNMENT IS SLOWLY AND PAINFULLY REORGANIZING ITSELF TO MEET THE CHALLENGE. (FOR A BRIEF SURVEY OF RECENT PROGRESS, SEE P-AU-P 2099 OF OCT. 25.)

4. HOWEVER, GIVEN HAITI'S ABYSMAL POVERTY, THE LACK OF TRAINED MANPOWER AND THE UNCERTAIN ATTITUDES OF A REGIME WHICH HAS BEEN SEVERELY ISOLATED FOR A NUMBER OF YEARS, BOTH PRACTICAL ASSISTANCE AND SYMPATHETIC UNDERSTANDING WILL BE REQUIRED ON THE PART OF THE US IF THIS PROGRESS IS TO BE CONTINUED. IN MY JUDGMENT THE ESTABLISHMENT OF A PL-480 TITLE I PROGRAM WOULD PROVIDE AN IMPORTANT INTEGRAL PART OF OUR GENERAL PROGRAM TO NORMALIZE RELATIONS AND TO PROMOTE HAITI'S DEVELOPMENT. MORE THAN THAT, IT IS CRITICALLY NEEDED FOR SHORT-TERM REDRESS OF UNFAVORABLE ECONOMIC FACTORS GENERATED OUTSIDE HAITI WHICH COULD REVERSE THE ENCOURAGING RECENT TRENDS WITHIN HAITI.

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5. IMPENDING B/P CRISIS--AS FORESEEN EARLIER BY HAITIAN AND IMF EXPERTS (REF C), NET FOREIGN EXCHANGE RESERVES OF THE NATIONAL BANK HAVE DROPPED PRECIPITOUSLY SINCE FEBRUARY, I.E., FROM \$19 MILLION TO \$7.5 MILLION AS OF OCTOBER 31. INCREASED COST OF OIL PRODUCTS HAS BEEN KEY FACTOR. RESERVES ARE EXPECTED TO DROP TO A LOW OF SLIGHTLY LESS THAN \$5 MILLION IN DECEMBER. ALTHOUGH RESERVES SHOULD INCREASE IN JANUARY AND FEBRUARY WITH SEASONAL INCOME FROM

TOURISM, THE INCREASED COST OF IMPORTS AND PLANNED GOVERNMENTAL INVESTMENT WILL CAUSE FURTHER NET DRAINS OF FROM \$10 TO \$15 MILLION DURING 1975, WITH RESULT THAT NET NATIONAL BANK RESERVES WILL PROBABLY BE NEGATIVE THROUGHOUT A GOOD PART OF THE YEAR. THE GOH HAS ALREADY DRAWN ITS FIRST TRANCHE FROM THE IMF UNDER THE STAND-BY ARRANGEMENT AS WELL AS OVER 80 PERCENT OF WHAT IT CAN DRAW UNDER THE SPECIAL OIL FACILITY; THUS POSSIBILITIES FOR FURTHER INTERNATIONAL BALANCE OF PAYMENTS ASSISTANCE ARE VERY LIMITED.

6. DEVELOPMENT COULD COME TO A STOP--BECAUSE OF THE CRUNCH ON FOREIGN EXCHANGE, HAITI WILL BE HARD PRESSED TO MAINTAIN ITS PRESENT MINIMUM STANDARD OF LIVING, WITH NO EXCESS LEFT OVER FOR INVESTMENT IN DEVELOPMENT. THIS WILL BE PARTICULARLY HARD ON THE KEY SECTOR OF AGRICULTURE, WHICH DESPERATELY NEEDS INCREASED INPUTS IN ORDER TO RAISE PRODUCTIVITY. FOR EXAMPLE, IT IS DOUBTFUL, IN VIEW OF SHARP INCREASES IN FERTILIZER PRICES, THAT HAITI WILL BE ABLE TO MAINTAIN CURRENT IMPORTS--WHICH WILL TOTAL ONLY 3800 TONS IN 1974. ALTHOUGH HAITI IS RECEIVING LOANS AND GRANTS FROM INTERNATIONAL AGENCIES AND FROM EIGHT COUNTRIES, INCLUDING US, MOST PROJECTS CAN PROVIDE PAYOFF ONLY IN MEDIUM TO LONG TERM. HAITI MUST STILL INVEST MORE OF ITS OWN RESOURCES--WHICH WILL BE IMPOSSIBLE UNLESS FOREIGN EXCHANGE SITUATION CAN BE EASED.

7. HAITIAN NEEDS--HAITI'S POSITION AS POOREST COUNTRY IN WESTERN HEMISPHERE AND ONE OF 25 POOREST IN WORLD HAS BEEN GRAPHICALLY PORTRAYED ELSEWHERE. THE MOST OPTIMISTIC ESTIMATE OF PER CAPITA NATIONAL INCOME USES THE FIGURE OF \$122 PER YEAR--LESS THAN HALF OF THE NEXT LOWEST INCOME IN HEMISPHERE. THE BEST FIGURE AVAILABLE ON AVERAGE CALORIC INTAKE IS 1728 CALORIES PER DAY. HAITI OF COURSE IS ELIGIBLE FOR AND RECEIVES GRANT FOOD AID UNDER TITLE II OF PL-480. HOWEVER, A PROGRAM UNDER TITLE I WOULD HAVE A IMPORTANT NEW DIMENSION, SINCE IT WOULD ENCOURAGE THE GOH

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TO INCREASE INVESTMENT AND PRODUCTION, FOR A FUTURE WHEN HAITI WOULD BE LESS DEPENDENT ON HUMANITARIAN GRANT AID.

8. HAITIAN SELF-HELP MEASURES--HAITI HAS TAKEN A SERIES OF STEPS TO CONSERVE FOREIGN EXCHANGE AND TO INVEST ITS OWN FUNDS IN DEVELOPMENT PROJECTS FOR THE FUTURE. AS REPORTED PREVIOUSLY IN DETAIL, GOH HAS INCREASED INTEREST RATES, MODIFIED SOME TAXES AND INCREASED DUTIES ON LUXURY GOODS. GOH ALSO PLANS TO DEVOTE ALL OF PROSPECTIVE INCREASED INCOME FROM BAUXITE TO DEVELOPMENT PURPOSES. MEANWHILE, GOH HAS INCREASED THE INVESTMENT OF ITS OWN MEAGER RESOURCES IN PUBLIC WORKS AND COMMUNICATIONS SECTOR. SOME SHORT-TERM RELIEF THROUGH A TITLE I PROGRAM WOULD TANGIBLY ENCOURAGE FURTHER GOH SELF-HELP EFFORTS TO DEAL WITH B/P CRISIS IN ADDITION TO RESTRAINTS ON EXPENDITURE.

9. RECOMMENDED SIZE OF WHEAT PROGRAM--HAITIAN ESTIMATES OF PAST WHEAT IMPORTS AND CURRENT NEEDS REMAIN SAME AS IN MAY (REF C), I.E. JUNE 1 TO MAY 31, IN BUSHEL: 69/70 - 1,230,183; 70/71 - 1,634,985; 71/72 - 1,548,424; 72/73 - 2,631,968; 73/74 - 3,130,000; 74/75 - 3,441,000; AND 75/76 - 3,774,000. THUS, AVERAGE ANNUAL IMPORTS FOR 1970 (I.E. BASIS FOR USUAL MARKETING REQUIREMENTS) WERE 1,915,000 BUSHEL. AMOUNT NEEDED ABOVE THESE USUAL MARKETING REQUIREMENTS FOR THE YEAR JUNE 1, 1974 TO MAY 31, 1975 IS ESTIMATED AT APPROXIMATELY 1,500,000 BUSHEL (3,441,000 LESS 1,915,000). GOH HAS NOT YET PLACED ORDERS FOR THE SPRING OF 1975 BUT EXPECTS THAT IT WILL NEED TO ORDER ONE-HALF OF THE FY 74/75 ESTIMATE OF 3,441 THOUSAND BUSHEL. ALTHOUGH THE GOH HAS ATTEMPTED TO OBTAIN WHEAT ON A CONCESSIONARY OR CREDIT BASIS FROM OTHER SOURCES, NOTHING APPEARS TO BE AVAILABLE (CANADIANS SUGGESTED WHEAT MIGHT BE AVAILABLE IN 1976, BUT NOT BEFORE). WE RECOMMEND THEREFORE THAT IN THE REMAINDER OF FY-75, US PROVIDE THE EQUIVALENT OF 750,000 BUSHEL OF WHEAT UNDER PL-480 TITLE I TO SUPPLEMENT EXPECTED HAITIAN PURCHASE OF 975,000 BUSHEL. SINCE SOLE FLOUR MILL IS WORKING STEADILY SEVEN DAYS A WEEK, WE SUGGEST THIS BE DIVIDED INTO 500,000 BUSHEL OF WHEAT AND EQUIVALENT OF 250,000 BUSHEL IN FLOUR.

10. SOYBEAN OIL-- EMBASSY UNDERSTANDS THAT AT MOMENT IT IS DOUBTFUL WHETHER SOYBEAN OIL CAN BE INCLUDED IN PROGRAM. EDIBLE OILS ARE ONE OF THE MOST IMPORTANT DIETARY ELEMENTS NOT RPT NOT PRODUCED IN HAITI. HAITI MIGHT EVENTUALLY BE ABLE REDUCE  
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IMPORTS OF WHEAT, SUBSTITUTING DOMESTIC RICE, BUT WILL HAVE TO CONTINUE SOYBEAN OIL IMPORTS. ACCORDINGLY I URGE THAT IF AT ALL POSSIBLE USG PROVIDE A PROGRAM OF 2,000 METRIC TONS OF SOYBEAN OIL IN THE SECOND HALF OF FY-75 AND A FULL PROGRAM OF 5,000 METRIC TONS IN FY-76.  
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## Message Attributes

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